

REMARKS

Claims 1-33 are still pending in this application.

The corrected filing receipt mailed May 2, 2002 acknowledges two domestic priority claims to provisional applications Nos. 60/220,566 and 60/220,712. But, on November 2, 2001 Applicant mailed a communication including a supplemental application data sheet that also claimed domestic priority of a third provisional application No. 60/270,883. Applicant is concurrently requesting correction from the Office of Initial Patent Examination and also requests that the Examiner acknowledge in the next communication that the third domestic priority claim has been received by the Office.

Reconsideration of the application is earnestly requested.

Applicant respectfully submits that the above amendments to the specification address the Examiner's objections to the specification. Regarding the rejection under 35 USC §112, claims 19 and 21 have been amended to remove the phrase "reasonable time" and the Applicant submits that these claims now particularly point out and distinctly claim their subject matter.

The Examiner has rejected independent claims 1, 20 and 31 under 35 USC §102 as being anticipated by *Farrar et al. (Farrar)*. Independent claim 17 has been rejected under 35 USC §103 as being unpatentable over *Farrar* in view of *Business Wire*. Independent claim 9 has been rejected under 35 USC §103 as being unpatentable over *Farrar* in view of *Bezy*.

Although the Examiner's arguments have been carefully considered, Applicant respectfully traverses these rejections as explained below.

The Present Invention

As pointed out in the Summary of the Invention, and as required by independent claim 1 (for example), the present invention converts paper checks online and in real time into an electronic funds transaction. The paper check is returned to the customer and is not used as a negotiable instrument. Claim 1 specifically requires "said paper check not being used as a negotiable instrument and being returned to said customer."

The drawee bank where the customer holds a checking account is arranged to perform conversion only, conversion with verification and conversion with guarantee, and to return a

result of one of the above. Claim 1 specifically requires "a drawee computer of said drawee bank that receives said transaction information and is capable of performing conversion, verification and guarantee based upon said transaction information." Claim 4 further requires that the "drawee computer is further arranged to perform conversion only, conversion with verification or conversion with guarantee based upon said transaction information."

Claim 1 thus requires conversion of a paper check at the point-of-sale in real time.

The present application claims the benefit of U.S. provisional application No. 60/225,566 that was filed on August 14, 2000, in which conversion of a paper check at the point-of-sale in real time is disclosed. Thus, any potential prior art must have an effective date before August 14, 2000.

#### The Cited Art Distinguished

##### *Farrar* is Not Prior Art to the Claimed Invention

*Farrar* has an effective filing date of August 15, 2000, although it claims priority to two application Nos. 09/414,549 and 60/103,610. Because *Farrar* has an effective filing date of August 15, 2000, which is after the priority date of the present application, any material disclosed only in *Farrar* (and not in its priority applications) cannot be prior art to the present invention.

Figures 5-11 describe embodiments in which the paper check is used as a negotiable instrument and is not returned to the customer; i.e., conversion (sometimes referred to as truncation) is not being performed at the point-of-sale. The possibility to convert the check (or truncate) at the point-of-sale is briefly mentioned in the fourth paragraph of column 12 but there is no disclosure in the discussion of Figures 5-11 for how this conversion would occur. Support for the proposition that these figures require the use of a physical check as a negotiable instrument is found at column 9, lines 63-65; column 10, lines 36-50; and column 11, lines 44-46 (the merchant processor might initiate electronic check presentment but this requires that the check flow from the merchant to the merchant processor). Finally, the fourth paragraph of column 12 states "In all of the embodiments described above, the check will flow to the payor bank for safekeeping or return to the customer." In other words, once the check has been used as a negotiable instrument, it is returned to the payor bank or is returned to the customer.

This fourth paragraph does have two short sentences that hint that conversion of a paper check at the point-of-sale might be possible: "This could occur at the BOFD or the merchant. If it occurs at the merchant, the check would preferably be returned to the customer." But, these two short sentences do not disclose or enable in any meaningful sense conversion in real time of a paper check at the point-of-sale. Accordingly, the disclosure of *Farrar* up to this point cannot be used as a basis to reject the required features of claim 1 discussed above, namely, conversion of a paper check in real time at the point-of-sale.

The disclosure of *Farrar* beginning at column 14, line 11 and extending until column 16, line 10 and discussing Figures 11A and 11B does disclose customer check conversion (truncation) at the point-of-sale. But, this disclosure is not present in either of the two priority applications (the provisional or the parent) mentioned above. This disclosure is only present in *Farrar* that has an effective filing date of August 15, 2000. Accordingly, this disclosure of check conversion cannot be prior art to the presently claimed invention.

Both the provisional application and the regular application upon which *Farrar* claims priority do contain the same paragraph found in *Farrar* at column 12, fourth paragraph (see page 21 of the provisional and pages 27-28 of the regular application), but as made clear above, the two short sentences in this paragraph that hint that conversion of the point-of-sale might be a possibility do not in any way provide an enabling disclosure and cannot be the basis for prior art.

Claim 1 specifically requires conversion of a paper check at the point-of-sale in which the paper check is returned to the customer and is not used as a negotiable instrument; *Farrar* does not disclose these features prior to applicant's claimed priority date of August 14, 2000.

*Bezy*

Various of the independent claims have also been rejected on the basis of *Bezy*. *Bezy* discloses a real-time, point-of-sale check confirmation and guarantee system that uses VisaNet for checks issued by member or nonmember third-party institutions. This system does not involve check conversion and only discloses batch processing of checks. Further, this system does not disclose real-time check conversions.

Business Wire

This article does describe a check conversion transaction and claims that the organization Magic "is a provider of electronic check conversion, electronic check representment, check verification and check guarantee financial services." But, beginning at page 2, line 51 the article discloses that the Automated Clearing House (ACH) is used to process the debit and that the check information is processed electronically through the ACH network. The present application distinguishes use of an ACH transaction in the context of check conversion. For example, the present application points out at page 4, lines 10-11 that a typical ACH transaction can take up to 48 hours. Further, an ACH transaction is often submitted in batch and is certainly not in real time. While this article does disclose that data from the check is captured on an electronic reader and that the check is returned to the consumer, the actual electronic conversion is not happening online and in real time. Because the conversion requires an ACH transaction it is not an online, real-time check conversion while the customer waits.

Although lines of 9-14 refer to "check verification" and "check guarantee," the article does not disclose conversion with check verification or conversion with check guarantee. The article does discuss conversion only, but again, this conversion is not online and in real time. Claim 1 requires a real-time check conversion at the point-of-sale in which the drawee bank is capable of performing conversion only, conversion with verification and conversion with guarantee. This article does not disclose these required features.

Conclusion

Because claim 1 requires conversion of the paper check at the point-of-sale and the capability to perform real-time conversion, conversion with verification and conversion with guarantee, and because the above cited references do not disclose this feature, it is respectfully submitted that the rejection be withdrawn. Claim 2 requires that the drawee computer of the drawee bank provides online real-time communications. Claim 4 further clarifies that the drawee computer is able to perform conversion only, conversion with verification or conversion with guarantee.

Claim 9 also requires conversion of a paper check at the point-of-sale and a drawee bank capable of performing conversion, conversion with verification and conversion with guarantee. Claim 11 requires online, real-time communications between the drawee computer of the drawee bank and the other computers.

Claim 17 also requires a paper check converted at the point-of-sale and returned to the customer in which the conversion options are conversion only, conversion with verification and conversion with guarantee. Claim 19 requires sending and receiving the request and response using online, real-time communications while the customer waits.

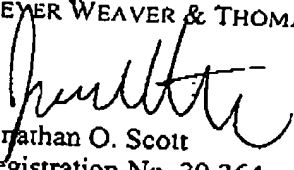
Claim 20 also requires check conversion where the paper check is returned to the customer. Claim 21 requires online, real-time communications while the customer waits. Claim 22 requires the conversion options of conversion only, conversion with verification and conversion with guarantee.

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Claim 31 also requires conversion of the paper check at the point-of-sale where the paper check is returned to the customer and is not used as a negotiable instrument. The claim further requires that the drawee bank is capable of performing conversion with verification. Claim 32 requires a drawee computer providing online, real-time communications.

Reconsideration of this application and issuance of a Notice of Allowance at an early date are respectfully requested. If the Examiner believes a telephone conference would in any way expedite prosecution, please do not hesitate to telephone the undersigned at (612) 252-3330.

Respectfully submitted,  
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